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Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

L-02 H-02 PA-02 PRS-01 USIA-15 AGR-10 FEAE-00 /121 W
---------- 072766
R 171820Z JAN 75
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 7382
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO
AMCONSUL EDINBURGH
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USDOC WASHDC

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DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A
TAGS: ECON, UK
SUBJECT: ECONOMIC DEVELOPMENTS--WEEK ENDING JANUARY 17

BEGIN SUMMARY: THE UK TRADE DEFICIT IN DECEMBER, WHILE
SOME 152 MILLION POUNDS LOWER THAN IN NOVEMBER, REMAINED
LARGE, WITH AN OIL DEFICIT OF OVER 280 MILLION POUNDS AND
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A NON-OIL DEFICIT OF NEARLY 95 MILLION POUNDS. SPOT

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STERLING REMAINED FAIRLY STEADY WITH THE FORWARD DISCOUNT AGAINST THE DOLLAR NARROWING CONSIDERABLY. BETWEEN STRIKES BY NEWSPAPER WORKERS AND BY GOVERNMENT STATISTICIANS, IT IS DIFFICULT TO JUDGE WITH PRECISION WHAT IS HAPPENING TO THE UK DOMESTIC ECONOMY. THERE IS LITTLE DOUBT, HOWEVER, THAT ECONOMIC ACTIVITY CONTINUES TO WEAKEN WHILE INFLATION SHOWS NO SIMILAR TENDENCIES. UNEMPLOYMENT FIGURES, HELD UP BY A STRIKE OF STATISTICIANS, ARE UNAVAILABLE; THUS THE EXTENT OF WEAKENING IN RECENT WEEKS IS NOT CLEAR. BUT RETAIL SALES FIGURES (PROVISIONAL) FELL IN DECEMBER, A GOOD INDICATION OF SLACKENING DEMAND. AT THE SAME TIME OUTPUT WHOLESALE PRICES CONTINUED TO RISE AND INPUT WHOLESALE PRICES DID NOT SHOW THE DECLINE THEY OTHERWISE WOULD HAVE BECAUSE OF INCREASED DOMESTIC ENERGY COSTS. PRODUCTION DIFFICULTIES IN THE AUTOMOBILE INDUSTRY WERE HIGHLIGHTED BY THE INCREASED MARKET SHARE OF IMPORTS IN 1974. LABOR GOVERNMENT NATIONALIZATION PLANS TOOK ANOTHER STEP FORWARD WITH THE ANNOUNCEMENT OF PLANS TO TAKE OVER AEROSPACE INDUSTRIES. END SUMMARY

1. THE UK TRADE DEFICIT FELL BY 152 MILLION POUNDS IN DECEMBER TO 377 MILLION POUNDS (S.A.). AN OIL-TRADE DEFICIT OF 283 MILLION POUNDS PLUS A 94 MILLION POUND DEFICIT IN NON-OIL TRADED GOODS COMBINE WITH AN ESTIMATED INVISIBLES SURPLUS OF 130 MILLION POUNDS TO YIELD A CURRENT ACCOUNT DEFICIT OF 247 MILLION POUNDS. SEE LONDON 653 FOR DETAILS AND END-OF-YEAR FIGURES.

2. PROVISIONAL FIGURES FOR THE RETAIL SALES INDEX SHOW A DECREASE OF 1.2 PERCENT IN DECEMBER. THE INDEX FELL FROM 112.9 IN NOVEMBER TO 111.5 IN DECEMBER (1971 EQUALS 100). BY VALUE RETAIL SALES ROSE BY ABOUT 18 PERCENT OVER THE YEAR, BUT IN VOLUME TERMS THEY DROPPED BY ABOUT 1 PERCENT.

3. THE OUTPUT WHOLESALE PRICE (GOODS EX-FACTORY) ROSE IN DECEMBER FROM 164.7 TO 167.2 (PROVISIONAL - 1970 EQUALS 100), AN INCREASE OF 1.5 PERCENT. THE INPUT WHOLESALE PRICE INDEX (RAW MATERIALS AND ENERGY) FELL IN DECEMBER FROM 222.7 TO 221.6, A DECLINE OF 0.5 PERCENT. THE OUT-
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PUT INDEX HAS RISEN 28 PERCENT OVER A YEAR WHILE THE INPUT INDEX HAS INCREASED BY 26.5 PERCENT IN THE SAME PERIOD. THE INPUT INDEX DOES NOT REFLECT THE RECENT FALL-OFF IN WORLD COMMODITY PRICES, AS THIS HAS BEEN OFFSET BY RISES IN COAL, ELECTRICITY, AND GAS PRICES.

4. ANTHONY WEDGWOOD BENN, SECRETARY OF STATE FOR INDUSTRY, ANNOUNCED THAT THE GOVERNMENT IS TO TAKE OVER BRITISH

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AIRCRAFT CORPORATION, HAWKER SIDDELEY AVIATION, AND HAWKER SIDDELEY DYNAMICS, THE MAIN PARTS OF THE UK AEROSPACE PROGRAM. "FAIR" COMPENSATION WILL BE PAID, ACCORDING TO MR. BENN. THE MOVE HAD BEEN EXPECTED FOR A LONG TIME.

5. IMPORTED AUTOS CAPTURED 28 PERCENT OF THE BRITISH HOME MARKET IN 1974, A NEW RECORD, UP FROM 27.5 PERCENT LAST YEAR.

6. THE CHANGES IN THE DOLLAR-POUND EXCHANGE RATE, TRADE-WEIGHTED DEPRECIATION OF STERLING (SINCE SMITHSONIAN) AND PRICE OF GOLD WERE AS FOLLOWS:

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INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

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FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

L-02 H-02 PA-02 PRS-01 USIA-15 AGR-10 FEAE-00 /121 W
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FM AMEMBASSY LONDON
TO SECSTATE WASHDC 7383
INFO AMEMBASSY BERN
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AMEMBASSY COPENHAGEN
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USMISSION OECD PARIS
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	1/9	1/16	CHANGE
EXCHANGE RATE	$2.3500	$2.3535	UP $0.0035
EFFECTIVE DEPRECIATION (PERCENT)	21.7	21.6	DOWN 0.1
GOLD	$1.79.00	$1.75.75	DOWN $3.25

7. THE FORWARD DISCOUNT ON STERLING CONTINUED TO NARROW.
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	1/9	1/16	CHANGE
1 MONTH	1.35	0.75	DOWN 0.60
3 MONTHS	4.35	2.68	DOWN 1.67
6 MONTHS	7.90	5.87	DOWN 2.03

(ALL FIGURES IN CENTS)

8. EURODOLLAR INTEREST RATES CONTINUED THEIR DOWNWARD MOVEMENT.

	1/9	1/16	CHANGE
1 MONTH	8-1/2	7-7/8	DOWN 5/8
3 MONTHS	8-7/8	8-5/8	DOWN 1/4
6 MONTHS	8-7/8	8-5/8	DOWN 1/4

9. LOCAL AUTHORITY DEPOSIT RATES SHOWED GENERAL EASING THROUGHOUT THE WEEK.

	1/9	1/16	CHANGE
1 MONTH	10-5/8	10-3/4	UP 1/8
3 MONTHS	12-7/16	11-5/8	DOWN 13/16
6 MONTHS	12-7/8	11-1/2	DOWN 1-3/8

10. THE MINIMUM LENDING RATE WAS CHANGED TO 11-1/4 PERCENT ON FRIDAY, JANUARY 17, 1975, DOWN 1/4 PERCENT.

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Draft Date: 17 JAN 1975
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Decaption Note:
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Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
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TAGS: ECON, UK
To: STATE
Type: TE
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